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COSTA RICA

Pacheco Sends Mixed Signals on Dr-Cafta

At the White House on 12 May, Costa Rican President Abel Pacheco and presidents from the Dominican Republic, Guatemala, Honduras, El Salvador and Nicaragua, along with US President George W. Bush, pledged their support for the Central American and Dominican Republic Free Trade Agreement (DR-CAFTA). The heads of state spent a week traveling in the US to promote the free trade agreement, which has been stalled in the US Congress.

On 17 May, Pacheco stated that the free trade agreement was in the freezer. Costa Rica is the only country that has not sent the agreement to Congress and, according to Pacheco, he is waiting for his fiscal reform to be passed before moving forward with DR-CAFTA. Pacheco said the fiscal reform will assure that the dollars produced from the agreement do not fall into the hands of a few, and maintained that the process will move slowly.

Pacheco's seemingly contradictory stances regarding DR-CAFTA appear to be damaging his popularity. A May CID-Gallup poll, published in *La República*, reported that Pacheco's popularity fell to 14%, which is 13% less than in Feb.

Following Pacheco's stay in the US he stopped off, along with First Lady Leila Rodríguez, in the Dominican Republic on 13-14 May for the inauguration of a luxury beach development where he received a lifetime membership.

According to Costa Rican press sources, Pacheco violated the very decree he signed on 14 May '02, which prohibit certain state functionaries from receiving gifts or any other benefits from international organizations, private or state entities. Pacheco maintains that the trip was a vacation and that he would hand in his lifetime resort membership to the internal auditors of the presidency.

Low Turnout for Anti DR-CAFTA Demonstrations

A series of lackluster demonstrations were held on 16 May against DR-CAFTA, gas prices, the vehicle inspection program run by Spanish-owned Riteve and other issues. In San José, protestors gathered in

front of the Legislative Assembly, the Presidential office building, the Supreme Court and the University of Costa Rica; other protests were held in Alajuela, Heredia, Cartago, Limón and Puntarenas.

Although Edgar Morales, assistant secretary of the National Association of Public and Private Employees (ANEP), claimed the gatherings were successful in terms of organizing community activities, the streets of San José returned to calm just before 1 pm. Few businesses and services were affected and only some downtown buses were slowed in and around the focal points of the protests.

Some unions, such as the Union of Recope Workers, did not participate in the demonstrations. A lack of attendance combined with heavy rain diminished the crowds rapidly, and sources from *La Nación* claimed many of the demonstrators were more preoccupied with an upcoming soccer game than with the protest march.

Also on 21 May, residents of Golfito in southern Costa Rica marched against DR-CAFTA, which, if passed, would close the Free Trade Zone of Golfito, leaving thousands unemployed.

Teachers Pension Fund Lacks Funding

On 12 May, 43 legislators from various political parties approved a pension reform for the country's teachers in first debate. The project to reform the pension law for teachers will improve the retirement conditions for 7,662 educators who completed 20 years of service by 18 May '93, or 13 years by Dec '97.

Of the 7,662 teachers who stand to benefit from the reform, 2,000 have already retired and 5,662 are still working; 4,000 of those still employed will retire with 100% a pension based on their 12 best salaries earned during the last 24 months. The remaining 1,662 will receive a pension based on 100% of their best salaries over the last five years. The new pension plan will also allow teachers still working to retire after 30 years of service rather than the 33 years currently prescribed by law.

According to Federico Carrillo, the Minister of Finance, the reform will cost roughly \$63 million, while José Antonio Barquero of the National Association of Teachers said that it will cost only \$21 million over the next five years.

Citing insufficient government funds, Carrillo and the President of the Central Bank, Francisco de Paula Gutiérrez, asked President Pacheco to veto the reform. De Paula stated that if the government paid all the pensions today, it would cause a \$10.5 million deficit.

Danilo Rojas, president of the Association of High School Professors, called Carrillo "a liar" and said the pensions have already been included in the budget.

After being approved in first debate, a second round of talks was scheduled for 18 May, but was delayed, mainly due to questions about the constitutionality of the reform. The law is now being reviewed by the Supreme Court.

It has been two years since teachers held a five-week strike, which ended when President Pacheco promised to reform the teacher's pension law (Vol. 22, No. 6).

Where's the Money?

The annual report issued by the General Accounting Office (GAO) revealed that the social sector failed to spend nearly \$35 million of budgeted funds in '04. The money that was not spent would have gone to various social institutions working to assist poor families, children at risk, the sick, the elderly and small businesses, among others.

In the meantime, *La Nación* reported that 42,000 more families fell into poverty compared with '03 statistics and currently there are 237,000 families that do not have enough income to cover basic necessities.

Various reasons were cited for this budget surplus ranging from resources being allocated too late for spending in '04, organizational problems, a burdensome bureaucracy for an institution to transfer funds to specific organizations, and the generally poor institutional planning and strategy of the Ministry of Finance. The GAO rejects this saying that the budgets are flexible and can be adjusted by the administrators.

According to the GAO, problems within various institutions include an overestimation of administrative and operating costs, inadequately followed plans and budgets, and late resource investment.

Ombudsman José Manuel Echandi says that the strategy of the Ministry of Finance is to allocate resources late so that various institutions don't have enough time to invest the money. Minister of Health María del Rocío Sáenz Madrigal, who is also the Coordinator of the Social Council, said that this surplus could be spent in '05 if the Finance Ministry would raise the limit on spending.

Federico Carrillo simply states that the problem is that "the resources have never been there."

Statements from the GAO criticize the lack of technical criteria used in distributing money. In the case of the Family Allowances and Social Development Fund (FODESAF), managed by the Poverty and Disaster Relief Fund (DESAF), more than \$174 million was budgeted for '04 but was not spent according to the established priorities of the "New Life Plan," the national program to reduce poverty. The resources should be allocated with a basis in technical criteria, according to the GAO. Further problems have emerged because in '04 DESAF only received about \$5.4 million of the approximately \$44 million that was allocated to it. The Office of the Ombudsman intends to take this issue to the Constitutional Court in order to obligate the Finance Ministry to disburse all of the allotted funds.

In a meeting held at the presidential offices on 25 May, the Social Committee analyzed aspects of the social spending programs and heard action plans from the Ministry of Economy, Industry and Commerce (MEIC) regarding ways to "protect" social institutions from the bureaucracy imposed by the state. Also, the meeting addressed ways to bring greater efficiency to the system of requirements for non-governmental organizations (NGO's) to receive state funds. NGOs, according to Sáenz, are overburdened with excessive requirements that they often do not have the capacity to fulfill.

Sáenz says the problem is not that there is a surplus, because the money will be spent this year, but rather how the money is spent is of more concern.

In response to these claims that the surplus funds will be spent, Federico Carrillo repeated that the funds simply do not exist to invest in social programs.

Child Labor in Costa Rica

Statistics released by the daily *La República* on 12 May indicate that some 50,000 children work in Costa Rica's agricultural sector. This figure represents roughly half of the 113,523 children currently working in jobs such as fishing, domestic work and the informal sector. The causes for the large number of child workers are generally related to an economic need.

Also, according to the report, 25,000 of these children working in the agricultural sector do not attend school. Josip Margetic, of the International Labor Organization, says that child labor not only affects the development of minors but also the socioeconomic development of the country.

Further information from the daily *La Nación* estimates that 43% of children and adolescents who work outside of the home are under 15-years old (the legal working age) and that most of them are working 12-hour days.

Of the 311,000 youths that started classes in high school in Feb '04, 36,000 will not graduate. The Ministry of Public Education estimated that the rate of high school dropouts increased from 10.4% in '03 to 11.6% in '04. Causes for this increase range from economic necessity, academic exhaustion, the distance between schools and their homes, and parental indifference regarding school.

When asked by *La Nación* about future priorities for keeping children in school, Manuel Antonio Bolaños, the Minister of Education, said that what was lacking was a fight for quality, equality and efficiency, which are three components that must be considered together.

—Alex Carney